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February 16, 2020

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

**RE: Community Reinvestment Act Regulations**  
**Docket No. R-1723**  
**RIN 7100-AF94**

Dear Secretary Misback:

We appreciate the opportunity to comment on the Board of Governors of the Federal Reserve System's Advanced Notice of Proposed Rulemaking (ANPR) on reforming the regulatory framework for the Community Reinvestment Act (CRA).

IFF is a U.S. Treasury Department-certified Community Development Financial Institution (CDFI). Our core business is to help nonprofits and certain businesses that serve low-income communities and persons with disabilities to plan, finance, and build the facilities and housing they depend on to provide essential health and human services; quality child care and K-12 education; job training; affordable and accessible housing; and increased access to fresh food. We serve a 10-state region that includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, Wisconsin, and Northern Kentucky. Since our founding in 1988, we have made over 1,800 loans for more than \$1 billion—leveraging a total investment in communities of \$3 billion and supporting tens of thousands of jobs.

CRA has been an essential component of our work and the community impact we have achieved. Through it, we have raised substantial private capital to meet the specific credit needs of a broad range of nonprofits that serve Low- and Moderate-Income (LMI) communities and people across the Midwest—including, financing charter schools in Kansas City, MO and Indianapolis, IN; early education facilities in Flint, MI and St. Louis, MO; new food business incubators and arts and recreation facilities in Chicago, IL; and full-service grocery stores and food cooperatives in Des Moines, IA and Rockford, IL, as well as in rural towns across Kansas. Fully two-thirds of our debt capital comes from banks that invest in IFF, not only to satisfy their CRA obligations, but to fund the high-impact community development loans we make to



support projects that address the need in LMI communities for critical health and human services as well as other essential community infrastructure—a need that has been made even more clear by the devastating and disproportionate impact of the COVID-19 pandemic in many of these neighborhoods.

Given IFF’s long experience with CRA, we know that it can be both strengthened and streamlined, and to that end we offer the Board the following recommendations:

- 1. Pursue a joint regulatory framework for CRA enforcement.** Although the ANPR is a substantial improvement on the changes to the CRA regulations enacted last year by the Office of the Comptroller of the Currency (OCC), its impact will be limited if all three bank regulators do not ultimately operate under a uniform set of rules. As a regional CDFI that partners with banks of every type and size, this remains a top priority for us. Working under two or three sets of CRA regulations is confusing and disruptive to us and the entire community development ecosystem in which we work. We urge the Board not just to work to get CRA reform right as a part of the ANPR, but to work to get all three bank regulators aligned on a unified regulatory framework.
- 2. Make increased lending and investment in LMI communities a primary objective of CRA reform.** *Question 1* of the ANPR asks if the Board has properly captured the most important CRA modernization objectives. As mentioned above, we believe that the approach outlined in the ANPR is a substantial improvement on the OCC’s recent changes, and we certainly agree with the Board that the very first objective of CRA modernization should be to “more effectively meet the needs of LMI communities and address inequities in credit access.” For the proposed new CRA evaluation framework to deliver meaningfully on this, however, it must actually lead to increased lending, investment, and services in LMI communities. This, too, should be an explicit objective of the Board’s CRA reform efforts.
- 3. Specifically consider race as part of CRA’s new evaluation framework.** *Question 2* asks what changes the Board should consider to better address the ongoing systemic equity in access to credit for minority individuals and communities. IFF believes its long past time for all three bank regulators to specifically include race as a core component of CRA evaluation. History has shown that income is an imperfect proxy for targeting systemic racism. At a



minimum, lending to people and communities of color should be included in the quantitative evaluation for both the retail and community development subtests, with appropriate performance measures considered.

- 4. Focus the definitions of “essential community needs and infrastructure.”**  
*Question 61* of the ANPR asks about the definitions of “essential community needs” and “essential community infrastructure,” and whether they should be the same across geographies. In recent years, IFF has become concerned (as the OCC seemed to signal) that regulators would look more favorably on large infrastructure projects with little to no benefit for LMI people as CRA-eligible revitalization and stabilization projects. We believe that such projects should only be considered CRA-eligible if they include a primary purpose of community development and also primarily benefit LMI people. While this standard is appropriate for economic and revitalization projects anywhere in the country, performance context should ultimately determine if they are CRA-eligible.
- 5. Give banks as-of-right CRA credit for all activities with certified CDFIs.**  
*Question 67* asks if banks should receive CRA consideration for loans, investments, or services in conjunction with a CDFI, regardless of where in the country it is located. IFF strongly supports this proposal. Certified CDFIs represent the cutting edge of community development finance, dedicating time and resources to de-risk whole new sectors, such as they have done with early childhood facilities, charter schools and access to healthy foods. Like IFF, many CDFIs invest heavily in technical assistance and also lead programmatic initiatives to support and scale lending in these new and different sectors, establishing underwriting criteria and building a pipeline of investable projects into which banks can eventually lend. More direct support for these efforts is purely additive to banks’ focus on assessment areas and will open the door for CDFIs to reach more LMI communities.
- 6. Provide certainty about CRA-eligible community development activities.**  
*Questions 71 and 72* inquire about the usefulness of regulators developing illustrative (though not exhaustive) list of CRA-eligible activities, as well as of developing a pre-approval process for new categories of activities or specific transactions. IFF strongly supports these proposals, which—in addition to adopting a joint CRA regulatory framework with all three bank regulators—we believe will go a long way towards achieving the Board’s stated objective



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of increasing the “clarity, consistency, and transparency” of CRA regulations. For IFF, providing this upfront and binding certainty around core community development activities that are eligible for CRA credit is essential to building new relationships with banks, especially with smaller banks that may not be as familiar or comfortable working with CDFIs as their larger counterparts. The list of qualifying activities should be updated regularly, after a period of public comment, and a separate pre-approval process for new categories of activities and specific transactions should be established, encouraging banks to be as responsive as possible to the emerging needs of their communities.

Again, thank you for this opportunity to comment on the ANPR and for your consideration of our views. We appreciate the Board’s clear efforts to strike the right balance between strengthening and streamlining the current CRA regulations. If you have any question, please do not hesitate to contact me at [jcerda@iff.org](mailto:jcerda@iff.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'José Cerda III', written in a cursive style.

José Cerda III  
Vice President of External Affairs